



Township of Gaines  
Audited Financial Statements  
March 31, 2023

*Prepared by Taylor & Morgan, P.C.*

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TOWNSHIP OF GAINES

GENESEE COUNTY

STATE OF MICHIGAN

TOWNSHIP BOARD MEMBERS

Paul Fortino  
Supervisor

Karen Hawkins  
Clerk

Diane Hyrman  
Treasurer

Leslie Casto  
Trustee

Rocky Fowler  
Trustee

TOWNSHIP OF GAINES  
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## Independent Auditor's Report

Township Board  
Township of Gaines  
Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Gaines (the "Township") as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Gaines as of March 31, 2023 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township of Gaines, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control, relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township of Gaines' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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CHARLOTTE, NORTH CAROLINA

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township of Gaines' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township of Gaines' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sincerely,

*Taylor & Morgan, P.C.*

Taylor & Morgan, P.C.  
Certified Public Accountants  
Flint, MI

September 20, 2023

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Township of Gaines  
Management's Discussion and Analysis  
For the Year Ended March 31, 2023**

As management of the Township of Gaines (the "Township"), we offer readers this narrative overview and analysis of the financial activities for the fiscal year ended March 31, 2023. Please read it in conjunction with the Township's financial statements.

**Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2023.

- Property taxes made up approximately 14 percent of the Township's General Fund revenue. Since 2015, revenue from property taxes has increased 18 percent due to increasing property values.
- State-shared revenue (the Township's allocation of state sales tax collections) makes up approximately 60 percent of the Township's General Fund revenue. This revenue has been a stable funding source for the Township for many years and this trend is expected to continue in 2023.
- During the 2022-2023 fiscal year, the Township received an additional \$322,356 from the American Rescue Plan Act of 2021 (ARPA). These funds will be combined with the ARPA funding received during 2021-2022, and the total of \$644,719 will be used in future budgets to offset costs associated with water line construction.
- The Township is increasing its General Fund fund balance by \$150,207.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Gaines as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about the activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

**Government-wide Overall Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities and deferred inflows of resources by \$3,220,521 at the close of the most recent fiscal year.

**Township of Gaines  
Management's Discussion and Analysis  
For the Year Ended March 31, 2023**

**Township's Net Position**

The following table shows, in condensed format, the net position of the Governmental Activities as of the current date and compared to the prior year:

	<u>Governmental Activities</u>			
	March 31, <u>2023</u>	March 31, <u>2022</u>	<u>Change</u>	<u>Percent Change</u>
<b>Assets</b>				
Current and other assets:				
Cash and investments:				
Cash and cash equivalents	\$ 3,168,377	\$ 2,595,599	\$ 572,778	22.1 %
Investments	71,504	73,024	(1,520)	(2.1)
Receivables	269,090	262,503	6,587	2.5
Capital assets (net)	<u>442,728</u>	<u>482,471</u>	<u>(39,743)</u>	(8.2)
Total assets	3,951,699	3,413,597	538,102	15.7
<b>Liabilities</b>				
Current liabilities	<u>645,110</u>	<u>322,888</u>	<u>322,222</u>	99.8
Total liabilities	645,110	322,888	322,222	99.8
<b>Deferred Inflows of Resources</b>	<u>86,068</u>	<u>53,403</u>	<u>32,665</u>	61.2
<b>Net Position</b>				
Net investment in capital assets	442,728	482,471	(39,743)	(8.2)
Restricted	713,616	650,481	63,135	9.7
Unrestricted	<u>2,064,177</u>	<u>1,904,354</u>	<u>159,823</u>	8.4
Total net position	<b><u>\$ 3,220,521</u></b>	<b><u>\$ 3,037,306</u></b>	<b><u>\$ 183,215</u></b>	<b>6.0 %</b>

**Township of Gaines  
Management's Discussion and Analysis  
For the Year Ended March 31, 2023**

Business-type Activities – Water and Waste Funds

	March 31, <u>2023</u>	March 31, <u>2022</u>	<u>Change</u>	<u>Percent Change</u>
<b>Assets</b>				
Current and other assets:				
Cash and investments:				
Cash and cash equivalents	\$ 469,219	\$ 403,803	\$ 65,416	16.2%
Investments	1,114,575	1,140,310	25,735	2.3
Receivables	64,068	41,392	22,656	54.7
Capital assets (net)	<u>1,146,101</u>	<u>1,168,997</u>	<u>(22,895)</u>	(1.2)
Total assets	2,793,963	2,754,502	39,461	1.4
<b>Liabilities</b>				
Current liabilities	<u>108,512</u>	<u>108,734</u>	<u>(222)</u>	(0.2)
Total liabilities	108,512	108,734	(222)	(0.2)
<b>Net Position</b>				
Net investment in capital assets	1,146,101	1,168,997	(22,896)	(2.0)
Unrestricted	<u>1,541,350</u>	<u>1,476,771</u>	<u>64,579</u>	4.4
Total net position	<u><b>\$ 2,687,451</b></u>	<u><b>\$ 2,645,768</b></u>	<u><b>\$ 41,683</b></u>	<b>1.6%</b>

Total governmental net position increased 6 percent from a year ago – increasing from \$3,037,306 to \$3,220,521.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased \$159,823 for the governmental activities. This represents an increase of approximately 8.4 percent. The current level of unrestricted net position for our governmental activities stands at \$2,064,177, or about 145 percent of expenses.

The Township's business-type activities consist of the Water and Waste Funds. Both water and sewage services are purchased from Genesee County, Michigan.

The net position of business-type activities increased 1.6 percent from a year ago - increasing from \$2,645,768 to \$2,687,451.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased \$64,577 for the Water and Waste Funds. This represents an increase of 4.4 percent. The current level of unrestricted net position for the Water and Waste Funds is \$1,541,348.

**Township of Gaines  
Management's Discussion and Analysis  
For the Year Ended March 31, 2023**

**Township's Changes in Net Position**

	<u>Governmental Activities</u>			
	March 31, <u>2023</u>	March 31, <u>2022</u>	<u>Change</u>	<u>Percent Change</u>
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 491,245	\$ 433,268	\$ 57,977	13.3%
Operating grants	12,545	11,298	1,247	11.0
General revenue:				
Taxes	319,595	296,168	23,427	7.9
Intergovernmental	699,871	677,310	22,561	3.3
Investment earnings	1,178	1,081	97	9.0
Other revenue	<u>78,335</u>	<u>80,446</u>	<u>(2,111)</u>	(2.6)
Total revenue	1,602,769	1,499,571	103,198	6.8
<b>Expenses</b>				
General government	325,784	283,577	42,207	14.8
Public safety	207,968	219,114	(11,146)	(5.1)
Public works	880,937	699,511	181,426	25.9
Other	<u>4,865</u>	<u>6,009</u>	<u>(1,144)</u>	(19.0)
Total expenses	<u>1,419,554</u>	<u>1,208,211</u>	<u>211,343</u>	17.4
<b>Change in Net Position</b>	<b><u>\$ 183,215</u></b>	<b><u>\$ 291,360</u></b>	<b><u>\$ (108,145)</u></b>	<b>(37.1)%</b>

Business-type Activities – Water and Waste Funds

	March 31, <u>2023</u>	March 31, <u>2022</u>	<u>Change</u>	<u>Percent Change</u>
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 606,473	\$ 568,390	\$ 38,083	6.7%
General revenue:				
Investment earnings	<u>(22,934)</u>	<u>(41,229)</u>	<u>18,295</u>	44.4
Total revenue	583,539	527,161	56,378	10.7
<b>Expenses</b>	<u>541,856</u>	<u>524,560</u>	<u>17,296</u>	3.3
<b>Change in Net Position</b>	<b><u>\$ 41,683</u></b>	<b><u>\$ 2,601</u></b>	<b><u>\$ 39,082</u></b>	<b>1502.6%</b>

The Township's total governmental revenue had a 6.8 percent increase of \$103,198. This increase can be attributed to increases in special assessments for waste and mosquito abatement as well as increases in State Revenue Sharing.

Expenditures increased \$211,343 during the year. This increase is attributed to the various road improvement projects that occurred during the 2022-2023 fiscal year.

**Township of Gaines  
Management's Discussion and Analysis  
For the Year Ended March 31, 2023**

The Township's business-type activities experienced an increase in total revenue of 10.7%. This was due to an increase in usage fees from an increasing customer base.

**The Township of Gaines' Funds**

Our analysis of the Township's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about individual funds, not the Township as a whole. The Township's major funds consist of the General Fund, Waste and Refuse Fund, Capital Projects Fund, and Water and Waste Funds.

For the year ended March 31, 2023, governmental funds revenue exceeded its expenditures, increasing fund balance by \$213,342. This increase was a combination of a \$150,207 increase in the General Fund, a \$46,857 increase in the Waste and Refuse Fund, and a \$16,278 increase in the Capital Projects Fund. The increase in the General Fund was due to increases in special assessments and revenue from State Shared Revenue.

**General Fund Budgetary Highlights**

General Fund actual revenue of \$1,150,245 exceeded budgeted revenue of \$1,013,920 by \$136,325. This variance is attributed to an overall conservative approach to the budgeted revenue line items.

General Fund actual expenditures of \$907,538 were less than budgeted expenditures of \$999,694 by \$92,156. This favorable budget variance was due to overall conservative spending habits in all of the departments.

**Capital Assets and Debt Administration**

At the end of fiscal year 2023, the Township had \$442,728 in governmental activities and \$1,146,101 in business-type activities for a total \$1,588,829 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines (see Note 9). In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan Law, which makes these roads the property of the Genesee County Road Commission (along with the responsibility to maintain them).

The Township does not currently have any long-term debt.

**Economic Factors and Next Year's Budgets and Rates**

The Township approved a budget surplus of \$31,687 for the year ending March 31, 2024 with revenues totaling \$1,088,220 and expenditures of \$1,056,533.

**Contacting the Township of Gaines Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township of Gaines' finances, and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at the Township Hall.

## **BASIC FINANCIAL STATEMENTS**

**TOWNSHIP OF GAINES**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**MARCH 31, 2023**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 3,168,377	\$ 469,219	\$ 3,637,596
Investments	71,504	1,116,575	1,188,079
Due from other funds	119,610	-	119,610
Receivables, net of allowance for uncollectible accts	149,480	64,068	213,548
Capital assets, net of accumulated depreciation	442,728	1,146,101	1,588,829
Total assets	3,951,699	2,795,963	6,747,662
<b>Liabilities</b>			
Accounts payable	391	2,680	3,071
Unearned revenue	644,719	-	644,719
Due to other funds	-	105,832	105,832
Total liabilities	645,110	108,512	753,622
<b>Deferred inflow of resources</b>			
Property taxes levied for the following year	86,068	-	86,068
Total deferred inflow of resources	86,068	-	86,068
Invested in capital assets, net of related debt	442,728	1,146,101	1,588,829
Restricted for Waste and Refuse	416,686	-	416,686
Restricted for Capital Projects	296,930	-	296,930
Unrestricted	2,064,177	1,541,350	3,605,527
Total net position	\$ 3,220,521	\$ 2,687,451	\$ 5,907,972

The notes to the financial statements  
are an integral part of this statement.

**TOWNSHIP OF GAINES**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2023**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Functions/Programs:							
<b>Primary government</b>							
General government	\$ 333,860	\$ 47,084	\$ -	\$ -	\$ (286,776)	\$ -	\$ (286,776)
Public safety	199,892	-	-	12,545	(187,347)	-	(187,347)
Public works	880,937	444,161	-	-	(436,776)	-	(436,776)
Other	4,865	-	-	-	(4,865)	-	(4,865)
<b>Total governmental activities</b>	<b>1,419,554</b>	<b>491,245</b>	<b>-</b>	<b>12,545</b>	<b>(915,764)</b>	<b>-</b>	<b>(915,764)</b>
Business-type activities							
Water and waste	541,856	606,473	-	-	-	64,617	64,617
<b>Total primary government</b>	<b>\$ 1,961,410</b>	<b>\$ 1,097,718</b>	<b>\$ -</b>	<b>\$ 12,545</b>	<b>(915,764)</b>	<b>64,617</b>	<b>(851,147)</b>
General revenues							
Property tax					261,435	-	261,435
Special assessments					58,160	-	58,160
State-shared revenues					699,871	-	699,871
Investment earnings					1,178	(22,934)	(21,756)
Franchise fees					45,713	-	45,713
Miscellaneous					29,629	-	29,629
Gain on asset sales					2,993	-	2,993
<b>Total general revenues</b>					<b>1,098,979</b>	<b>(22,934)</b>	<b>1,076,045</b>
Change in net position					183,215	41,683	224,898
Net position - beginning of year					3,037,306	2,645,768	5,683,074
Net position - end of year					<b>\$ 3,220,521</b>	<b>\$ 2,687,451</b>	<b>\$ 5,907,972</b>

**TOWNSHIP OF GAINES  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2023**

	General	Special Revenue Waste and Refuse Fund	Capital Projects	Total Governmental Funds
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 2,454,761	\$ 416,686	\$ 296,930	\$ 3,168,377
Investments	71,504	-	-	71,504
Receivables				
Accounts receivable	9,298	-	-	9,298
Delinquent taxes	17,822	21,767	-	39,589
Due from other funds	119,610	-	-	119,610
Due from other governments	100,593	-	-	100,593
Total assets	\$ 2,773,588	\$ 438,453	\$ 296,930	\$ 3,508,971
 <b><u>Liabilities</u></b>				
Accounts payable	\$ 391	\$ -	\$ -	\$ 391
Unearned revenue	644,719	-	-	644,719
Total liabilities	645,110	-	-	645,110
 <b><u>Deferred Inflow of Resources</u></b>				
Property taxes levied for following year	86,068	-	-	86,068
Unavailable revenue	17,822	21,767	-	39,589
Total deferred inflow of resources	103,890	21,767	-	125,657
 <b><u>Fund Equity</u></b>				
Restricted for Waste and Refuse	-	416,686	-	416,686
Restricted for Capital Projects	-	-	296,930	296,930
Assigned	536,126	-	-	536,126
Unassigned	1,488,462	-	-	1,488,462
Total fund equity	2,024,588	416,686	296,930	2,738,204
Total liabilities and fund equity	\$ 2,773,588	\$ 438,453	\$ 296,930	\$ 3,508,971

The notes to the financial statements are an integral part of this statement.

**TOWNSHIP OF GAINES**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**MARCH 31, 2023**

Total governmental fund balances		\$ 2,738,204
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	\$ 2,075,600	
Accumulated depreciation	<u>(1,632,872)</u>	442,728
Revenue for delinquent taxes collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds.		
		<u>39,589</u>
Total net position - governmental activities		\$ <u><u>3,220,521</u></u>

**TOWNSHIP OF GAINES**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2023**

	General	Special Revenue Waste and Refuse Fund	Capital Projects	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 165,756	\$ -	\$ -	\$ 165,756
Special assessments	58,160	444,161	-	502,321
Fees and permits	92,797	-	-	92,797
Intergovernmental	699,871	-	-	699,871
Administrative services	86,063	-	-	86,063
Grant income	2,545	-	-	2,545
Fire contract	10,000	-	-	10,000
Interest	1,120	26	32	1,178
Miscellaneous	33,933	108	-	34,041
<b>Total revenues</b>	<b>1,150,245</b>	<b>444,295</b>	<b>32</b>	<b>1,594,572</b>
<b>Expenditures</b>				
General government	342,201	-	-	342,201
Public works	407,245	397,438	76,254	880,937
Fire protection	153,227	-	-	153,227
Police protection	-	-	-	-
Other	4,865	-	-	4,865
<b>Total expenditures</b>	<b>907,538</b>	<b>397,438</b>	<b>76,254</b>	<b>1,381,230</b>
<b>Other financing sources (uses)</b>				
Operating transfers	(92,500)	-	92,500	-
<b>Total other financing sources (uses)</b>	<b>(92,500)</b>	<b>-</b>	<b>92,500</b>	<b>-</b>
<b>Excess of revenues over (under) expenditures and other financing sources (uses)</b>	<b>150,207</b>	<b>46,857</b>	<b>16,278</b>	<b>213,342</b>
<b>Fund balance - beginning of year</b>	<b>1,874,381</b>	<b>369,829</b>	<b>280,652</b>	<b>2,524,862</b>
<b>Fund balance - end of year</b>	<b>\$ 2,024,588</b>	<b>\$ 416,686</b>	<b>\$ 296,930</b>	<b>\$ 2,738,204</b>

The notes to the financial statements are an integral part of this statement.

**TOWNSHIP OF GAINES**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2023**

Total net change in fund balances - governmental funds \$ 213,342

Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	\$ 30,992	
Depreciation expense	<u>(69,316)</u>	(38,324)

Governmental funds report payments received when fixed assets are sold as miscellaneous income. However, in the statement of activities, a gain or loss on the sale of an asset is recorded. This is the amount by which proceeds from the sale of assets exceeds the reported gain/loss. (1,419)

Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end. 9,616

Change in net position of governmental activities \$ 183,215

**TOWNSHIP OF GAINES**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS-WATER AND WASTE FUNDS**  
**MARCH 31, 2023**

	<u>Usage</u>	<u>Tap in</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 383,912	\$ 85,307	\$ 469,219
Investments	526,141	590,434	1,116,575
Accounts receivable	64,068	-	64,068
Property and equipment - net	<u>-</u>	<u>1,146,101</u>	<u>1,146,101</u>
Total assets	974,121	1,821,842	2,795,963
<b><u>Liabilities</u></b>			
Accounts payable	2,680	-	2,680
Due to other funds	<u>105,832</u>	<u>-</u>	<u>105,832</u>
Total liabilities	108,512	-	108,512
<b><u>Net Position</u></b>			
Invested in capital assets	-	1,146,101	1,146,101
Unassigned	<u>865,609</u>	<u>675,741</u>	<u>1,541,350</u>
Total net position	<u>\$ 865,609</u>	<u>\$ 1,821,842</u>	<u>\$ 2,687,451</u>

**TOWNSHIP OF GAINES**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS-WATER AND WASTE FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2023**

	<u>Usage</u>	<u>Tap in</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 598,073	\$ 8,400	\$ 606,473
Total operating revenues	598,073	8,400	606,473
Operating expenses			
Depreciation	-	22,895	22,895
Pump maintenance	35,324	-	35,324
County sewer charges	147,722	-	147,722
County water charges	328,621	-	328,621
Other fees	7,294	-	7,294
Total operating expenses	518,961	22,895	541,856
Operating income/(loss)	79,112	(14,495)	64,617
Non-operating revenues/(expenses)			
Unrealized gains/(losses)	(16,509)	(18,526)	(35,035)
Interest income	6,088	6,013	12,101
Total non-operating revenues/(expenses)	(10,421)	(12,513)	(22,934)
Change in net position	68,691	(27,008)	41,683
Net position - beginning of year	796,918	1,848,850	2,645,768
Net position - end of year	\$ 865,609	\$ 1,821,842	\$ 2,687,451

The notes to the financial statements are an integral part of this statement.

**TOWNSHIP OF GAINES  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS-WATER AND WASTE FUND  
FOR THE YEAR ENDED MARCH 31, 2023**

	<u>Usage</u>	<u>Tap in</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 575,397	\$ 8,400	\$ 583,797
Payments to suppliers	<u>(519,183)</u>	<u>-</u>	<u>(519,183)</u>
Net cash provided/(used) by operating activities	56,214	8,400	64,614
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sales/(purchases) of investments	(61,121)	(68,588)	(129,709)
Interest received	<u>6,088</u>	<u>6,013</u>	<u>12,101</u>
Net cash provided/(used) by investing activities	<u>(55,033)</u>	<u>(62,575)</u>	<u>(117,608)</u>
Net increase/(decrease) in cash and cash equivalents	1,181	(54,175)	(52,994)
Cash and cash equivalents - beginning of year	<u>382,731</u>	<u>139,482</u>	<u>522,213</u>
Cash and cash equivalents - end of year	<u>\$ 383,912</u>	<u>\$ 85,307</u>	<u>\$ 469,219</u>
<b>Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities</b>			
Operating income/(loss)	\$ 79,112	\$ (14,495)	\$ 64,617
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities:			
Depreciation expense	-	22,895	22,895
Decrease/(Increase) in accounts receivable	(22,675)	-	(22,675)
(Decrease)/Increase in accounts payable	<u>(223)</u>	<u>-</u>	<u>(223)</u>
Net cash provided/(used) by operating activities	<u>\$ 56,214</u>	<u>\$ 8,400</u>	<u>\$ 64,614</u>

The notes to the financial statements are an integral part of this statement.

**TOWNSHIP OF GAINES  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET POSITION  
MARCH 31, 2023**

		<u>Tax Collection Fund</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$	<u>39,673</u>
Total assets		<u>39,673</u>
 <b><u>Liabilities</u></b>		
Due to other funds		13,778
Due to other governmental units		<u>25,895</u>
Total liabilities		<u>39,673</u>
 <b><u>Net Position</u></b>		
	\$	<u><u>-</u></u>

The notes to the financial statements are an integral part to this statement.

**TOWNSHIP OF GAINES  
FIDUCIARY FUND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED MARCH 31, 2023**

	Tax Collection Fund
<b><u>Additions</u></b>	
Property tax collections for other governments	\$ 7,823,213
Total additions	7,823,213
 <b><u>Deductions</u></b>	
Payments of property tax to other governments	7,823,213
Total deductions	7,823,213
Change in net position	-
Net position-beginning of year	-
Net position-end of year	\$ -

## **NOTES TO FINANCIAL STATEMENTS**

**TOWNSHIP OF GAINES  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting entity**

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government." A fundamental characteristic of a primary government is that its members are selected by the people in a general election. In addition to having an elected board, a primary government must be both a legally separate and a fiscally independent entity. Thus, Gaines Township qualifies as the "primary government" for financial reporting purposes. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The basic criterion of financial accountability is: the primary government is accountable for and able to impose its will upon the potential component unit. The Township has no component units.

**Fund Accounting**

The Township accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

*Governmental Funds*

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. The Township reports the following funds as "major" governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Waste and Refuse Special Revenue Fund accounts for special assessments that are restricted for sanitation services.
- The Capital Projects Fund accounts for special assessments and other revenue that is restricted for capital asset and infrastructure improvements.

*Proprietary Funds*

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the Township). The Township reports the following funds as "major" enterprise funds:

- The Water and Waste-Usage Fund accounts for the cost of collection and treating of waste waters.
- The Water and Waste-Tap In Fund accounts for tap in fees received, depreciation of water and sewer lines and payments of bonded debt.

**TOWNSHIP OF GAINES**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)**

*Fiduciary Funds*

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following fund:

- The Tax Collection Fund, which collects taxes on behalf of all the taxing authorities (State, County, School District, Township, and the other various smaller authorities) and remits the taxes to each authority.

**Basis of Accounting**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Township considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, capital-type special assessments will be collected over a 5-year period; receivables have been recorded for these, along with a "deferred inflow of resources".

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows.

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Waste Funds are charges to customers for sales and services. The Township also recognizes as operating revenue the portion of tap in fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Water and Waste Funds include the cost of sales and services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**TOWNSHIP OF GAINES  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)**

**Interfund Activity**

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**Report Presentation**

Government accounting principles require that financial reports include two different perspectives—the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. Major individual governmental funds and the major enterprise funds are reported in separate columns in the fund financial statements.

**TOWNSHIP OF GAINES  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)**

**Property tax revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. Unpaid property taxes become a lien on the property on March 1 of the second year following the year of the levy.

The Township's 2022 ad valorem tax is levied and collectible on December 1, 2022, and is recognized as revenue in the year ended March 31, 2023, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2022 taxable valuation of the Gaines Township is \$219,541,916, on which the ad valorem tax levy consisted of .8018 mills for operating purposes. This resulted in \$164,787 of revenue, which was recognized in the General Fund.

The township bills and collects its own property taxes and also taxes for the school districts of Swartz Creek, Linden, and Durand, and for Genesee County. Collection on all taxes and remittance of them to the various taxing jurisdictions are accounted for in the tax collection fund. Township property tax revenues are recognized when levied.

**Specific Balances and Transactions**

*Cash and cash equivalents* – The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired.

*Investments* - Certificates of deposit with a maturity date of greater than three months at the time of purchase are recorded as investments on the financial statements. Investments are stated at fair value.

*Prepaid items* – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

*Capital assets* – Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Land improvements	10 to 20 years
Sewer system	50 to 75 years
Building and building improvements	25 to 40 years
Vehicles	5 to 10 years
Machinery and equipment	5 to 10 years

**TOWNSHIP OF GAINES  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)**

*Long-term Obligations*-In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source", as well as bond premiums and discounts. The General Fund is generally used to liquidate governmental long-term debt.

*Deferred Outflows of Resources*-In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township does not have any deferred outflows of resources.

*Deferred Inflows of Resources*-In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Township has two types of items that qualify for reporting in this category:

- Unavailable revenue represents special assessments and delinquent taxes not received within sixty days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Unavailable revenue is only reported in the governmental funds balance sheet.
- Property taxes levied for the following year represent special assessments and property taxes collected by the Township prior to year end but are used to fund the future year's operations. Property taxes levied for the following year are reported in the governmental funds and the government-wide statements.

**Net Position**

Net position of the Township is classified in three components. Net investment in capital assets-net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable or nonexpendable. Expendable restricted net position has been limited for use by donors and is held in trust for debt service and self-insured professional liability. Nonexpendable restricted net position has been restricted by donors to be maintained in perpetuity. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**Net Position Flow Assumption**

Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**TOWNSHIP OF GAINES**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)**

**Fund Balance Flow Assumption**

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total amount of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumptions must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies**

In the fund financial statements, governmental funds report the following components of fund balance:

- Non-spendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed: Amounts that have been formally set aside by the Township for use for specific purposes. Commitments are made and can be rescinded only via resolutions of the Township board.
- Assigned: Intent to spend resources on specific purposes expressed by the governing body. Assignments must be authorized by resolution and approved by the governing body. The Township has the following fund equity balances assigned in the General Fund at March 31, 2023:

Fire Equipment Replacement	\$235,507
Building and Site Improvements	<u>300,619</u>
Total Assigned Fund Equity	<u>\$536,126</u>

- Unassigned: Amounts that do not fall into any other category above. This is the residual classification in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**TOWNSHIP OF GAINES  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)**

**Upcoming Accounting Pronouncements**

In April 2022, the Governmental Accounting Standards Board issued Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenue, the focus of government-wide financial statements, and terminology. The standard has various effective dates. The Township does not believe this pronouncement will have a significant impact on its financial statements but is making a full evaluation.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the Township's financial statements for the year ending March 31, 2025.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

***Credit Risk***

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Township's deposits and investment policies are in accordance with the statutory authority.

**TOWNSHIP OF GAINES  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2023**

**NOTE 2 – DEPOSITS AND INVESTMENTS-(continued)**

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the Township’s deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At March 31, 2023, the Township had \$3,583,993 of its deposit balances (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Concentration of Credit Risk***

The Township places no limit on the amount it may invest in any one issuer.

**NOTE 3-FAIR VALUE MEASUREMENT**

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances whereby inputs used to measure fair value fall into different levels in the above hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Township’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of March 31, 2023 the Township had U.S. Government Bonds of \$228,260 that were valued using a matrix pricing model. Since the inputs to the valuation methodology are other than quoted prices included within Level 1 that are observable for the asset or liability, the investments above held by the Township will be categorized as Level 2 in the fair value measurement hierarchy.

**NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund receivable and payable balances as of March 31, 2023 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$119,610	\$ -
Tax Collection Fund	-	13,778
Water & Sewer Usage	-	105,832
Total	<u>\$119,610</u>	<u>\$119,610</u>

These balances are the result of transfers made between the General Fund and the Water and Sewer Usage fund and interest earned in the Tax Collection Fund that is owed to the General Fund.

**TOWNSHIP OF GAINES  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2023**

**NOTE 5 - DEFERRED INFLOWS OF RESOURCES**

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	Governmental <u>Funds</u>	Governmental <u>Activities</u>
Property taxes levied for the following year	\$ 86,068	\$ 86,068
Unavailable revenue	<u>39,589</u>	<u>-</u>
Total deferred inflows	<u>\$ 125,657</u>	<u>\$ 86,068</u>

**NOTE 6 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors, and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for all its insurance needs.

**NOTE 7 - PENSION PLAN**

The Township has a qualified, contributory defined contribution pension plan covering elected officials and eligible employees. Eligible employees are those who work 40 hours per week on a regular basis. John Hancock administers the plan, which was adopted by the Township board on March 6, 1991. Under the plan, the Township's contribution amounts to 10% of all eligible employees' annual compensation. Compensation is defined as the basic annual rate of pay in effect at the beginning of the plan year. For the year ended March 31, 2023, actual Township contributions totaled \$10,355. Participant plan contributions begin immediately with no waiting period for vesting. The plan is referred to as a money purchase pension plan and is not insured by the Pension Benefit Guaranty Corporation (PBGC).

**NOTE 8 - BUILDING AND SIMILAR FEES**

Michigan Department of Treasury Local Audit Letter 2000-6 states that local units can retain compliance with P.A. 245 of 1999, Statewide Construction Code Act, by accounting for building department revenues in the General Fund only as long as the local unit's fee structure is not intended to recover the full cost of the enforcing agency, and the local unit has the ability to track the full costs and revenues of this activity without creating a separate fund. The Township of Gaines complies with these provisions, and therefore, the building department activity is recorded in the General Fund.

Building department revenues and expenditures for the year ended March 31, 2023 are as follows:

Revenues	\$46,911
Expenditures	\$33,883

The expenditures listed above include only direct costs for the building department; an allocation for occupancy, insurance and other indirect costs is not included. It is management's opinion that, were the indirect costs included, building department revenues would not recover the full cost of the activity.

**TOWNSHIP OF GAINES  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2023**

**NOTE 9 - CAPITAL ASSETS**

Summary of capital asset transactions of the primary government:

	<u>Balance April 1, 2022</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance March 31, 2023</u>
<b>Governmental activities</b>				
Land & improvements	\$ 19,775	\$ -	\$ -	\$ 19,775
Buildings & additions	449,558	-	-	449,558
Furniture & equipment	473,580	30,992	17,337	487,235
Fire trucks & other vehicles	<u>1,121,332</u>	<u>-</u>	<u>2,300</u>	<u>1,119,032</u>
Subtotal	2,064,245	30,992	19,637	2,075,600
Accumulated Depreciation:				
Buildings & additions	314,578	13,903	-	328,481
Furniture & equipment	396,671	14,956	15,918	395,709
Fire trucks & other vehicles	<u>870,525</u>	<u>40,457</u>	<u>2,300</u>	<u>908,682</u>
Subtotal	<u>1,581,774</u>	<u>69,316</u>	<u>18,218</u>	<u>1,632,872</u>
Governmental activities net capital assets	<u>\$ 482,471</u>	<u>\$ (38,324)</u>	<u>\$ 1,419</u>	<u>\$ 442,728</u>
 <b>Business-type activities</b>				
Water and Sewer system	<u>\$ 1,717,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,717,130</u>
Subtotal	1,717,130	-	-	1,717,130
Accumulated Depreciation:				
Water and Sewer system	<u>548,133</u>	<u>22,896</u>	<u>-</u>	<u>571,029</u>
Subtotal	<u>548,133</u>	<u>22,896</u>	<u>-</u>	<u>571,029</u>
Business-type activities net capital assets	<u>\$ 1,168,997</u>	<u>\$ (22,896)</u>	<u>\$ -</u>	<u>\$ 1,146,101</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental activities</b>	
General Government	\$ 16,342
Public Safety	<u>52,974</u>
Total governmental activities	<u>\$ 69,316</u>
 <b>Business-type activities</b>	
Sewer	<u>\$ 22,896</u>
Total business-type activities	<u>\$ 22,896</u>

**TOWNSHIP OF GAINES  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2023**

**NOTE 10 – SUBSEQUENT EVENTS**

Management has reviewed subsequent events through September 20, 2023, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTAL INFORMATION**

**TOWNSHIP OF GAINES**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 185,000	\$ 185,000	\$ 165,756	\$ (19,244)
Special assessments	72,800	72,800	58,160	(14,640)
Fees and permits	85,500	85,500	92,797	7,297
Intergovernmental	572,500	572,500	699,871	127,371
Administrative fees	80,000	80,000	86,063	6,063
Grant income	2,620	2,620	2,545	(75)
Public service contracts	10,000	10,000	10,000	-
Interest	1,000	1,000	1,120	120
Miscellaneous	4,500	4,500	33,933	29,433
Total revenues	1,013,920	1,013,920	1,150,245	136,325
Expenditures				
General government				
Legislative	4,630	4,630	4,915	(285)
Supervisor	22,604	22,604	22,584	20
Accounting	12,500	15,000	15,000	-
Clerk	37,679	37,379	24,945	12,434
Board of review	2,275	2,275	1,402	873
Treasurer	49,679	49,979	47,569	2,410
Assessing	43,675	43,675	43,460	215
Elections	19,100	19,100	19,077	23
Other general government costs	164,950	175,250	163,249	12,001
Public safety				
Police department	22,000	-	-	-
Fire department	192,010	192,510	153,227	39,283
Public works	405,235	429,235	407,245	21,990
Other				
Planning commission	6,440	6,440	3,330	3,110
Zoning board of appeals	1,617	1,617	1,535	82
Total expenditures	984,394	999,694	907,538	92,156
Other financing sources (uses)				
Operating transfers	-	-	(92,500)	(92,500)
Total other financing sources (uses)	-	-	(92,500)	(92,500)
Excess of revenues over (under) expenditures and other financing sources (uses)	29,526	14,226	150,207	135,981
Fund balance - beginning of year	1,874,381	1,874,381	1,874,381	-
Fund balance - end of year	\$ 1,903,907	\$ 1,888,607	\$ 2,024,588	\$ 135,981

**TOWNSHIP OF GAINES  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE-WASTE AND REFUSE FUND  
FOR THE YEAR ENDED MARCH 31, 2023**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special Assessments	\$ 370,500	\$ 370,500	\$ 444,161	\$ 73,661
Miscellaneous	150	150	108	(42)
Interest	100	100	26	(74)
Total revenues	370,750	370,750	444,295	73,545
Expenditures				
Contracted services	370,500	370,500	397,438	(26,938)
Total expenditures	370,500	370,500	397,438	(26,938)
Net change in fund balances	250	250	46,857	46,607
Fund balance - beginning of year	369,829	369,829	369,829	-
Fund balance - end of year	<u>\$ 370,079</u>	<u>\$ 370,079</u>	<u>\$ 416,686</u>	<u>\$ 46,607</u>

**TOWNSHIP OF GAINES**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**MARCH 31, 2023**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end, except for approved contracts which are appropriated on a contract (grant) length basis.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

The Township had the following expenditure budget overages:

<u>Budget item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Variance</u>
General Fund-Legislative	\$ 4,630	\$ 4,915	\$ 285
Waste and Refuse Fund-Contracted Services	\$ 370,500	\$ 397,438	\$26,938

Budget overages are primarily related to unexpected costs related to operations.